

Message Text

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TAGS: EPAP, ECON, PA
SUBJ: RECENT TRENDS IN MEAT INDUSTRY

SUMMARY: THE PARAGUAYAN CATTLE RANCHING AND MEAT
PACKING INDUSTRIES, SERIOUSLY DEPRESSED FOR SEVERAL
YEARS, REACHED THEIR NADIR IN 1976, WITH THE CONJUNCTION
OF A LOW INTERNATIONAL DEMAND, HIGH TAXES ON EXPORT,
AND RESTRICTIVE GOVERNMENT POLICIES. REVISED GOVERN-
MENT POLICIES, CHANGES IN THE TAX STRUCTURE, AND
INCREASES IN WORLD DEMAND HAVE RESULTED IN CAUTIOUS
OPTIMISM ON THE PART OF LOCAL INDUSTRY THAT BETTER DAYS
ARE IN SIGHT. END SUMMARY.

1. THE DEPRESSED CONDITIONS IN THE LOCAL CATTLE
INDUSTRY OVER THE LAST FEW YEARS HAVE BROUGHT MANY
RANCHERS AND SOME PARAGUAYAN OWNED MEATPACKING COMPANIES
TO THE POINT OF BANKRUPTCY. THE TWO FOREIGN
MEATPACKERS, LIEBIGS (US) AND IPC (INTERNATIONAL
PRODUCTS CORPORATION) (UL) HAVE EACH LOST SEVERAL
MILLION DOLLARS, AND HAVE BEEN CONSIDERING CLOSING
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THEIR PLANTS IN PARAGUAY. THE LOW POINT WAS
REACHED IN 1976, WHEN A COMBINATION OF LOW PRICES
ON THE WORLD MARKET, CONTINUED EXCLUSION OF MEAT
IMPORTS BY THE EC, AND AN ATTEMPT BY THE GOP TO
HOLD UP THE SLAUGHTER UNTIL PRICES PICKED UP, RESULTED
IN MANY RANCHERS AND MEATPACKERS REACHING THE POINT
OF BANKRUPTCY BECAUSE OF ACCUMULATED LOSSES. TOTAL

SLAUGHTER WAS LESS THAN 100,000 HEAD.

2. LATE LAST YEAR, QUICKENING INTERNATIONAL DEMAND AND THE POSSIBILITY THAT THE EC MARKET WOULD REOPEN STIRRED NEW HOPES THAT THE MEAT INDUSTRY MIGHT BE REVIVED TO PREVIOUS LEVELS. A LOOSE ALLIANCE OF RANCHERS AND PACKERS PETITIONED THE GOVERNMENT FOR RELIEF IN THE FORM OF LOWER EXPORT TAXES AND PERMISSION TO SLAUGHTER THROUGHOUT THE YEAR.

3. CONGRESS PASSED A BILL GRANTING SOME, BUT NOT ALL OF THE TAX RELIEF REQUIRED. PRESIDENT STROESSNER VETOED THE FIRST BILL AND THE PACKAGE THAT EVENTUALLY EMERGED IS LESS FAVORABLE TO THE EXPORTERS. THE EXPORT HEAD TAX PREVIOUSLY PAID BY THE MEAT-PACKERS HAS BEEN REPLACED BY A LEVY OF 5 PERCENT OF THE VALUE OF EXPORT SHIPMENTS, PAYABLE AT THE TIME OF EXPORT. IT IS DESCRIBED AS AN INCOME TAX BUT IS ACTUALLY A TAX ON GROSS RECEIPTS SINCE NO PROVISION HAS BEEN MADE FOR REFUNDING IT SHOULD THE EXPORTER NOT EARN A PROFIT DURING THE TAX YEAR. IN ADDITION, THE HEAD TAX FOR CATTLE SLAUGHTERED FOR EXPORT HAS BEEN DECREASED AND THE TAX ON CATTLE FOR LOCAL CONSUMPTION INCREASED SOMEWHAT IN AN ATTEMPT TO EQUALIZE THE PRICES PAID BY LOCAL AND EXPORT SLAUGHTERERS. FINALLY, A QUOTA OF 220,000 HEAD HAS BEEN SET FOR THE EXPORT SLAUGHTER WITH KILLING TO TAKE PLACE AT ANY TIME THROUGHOUT THE YEAR, THUS ALLOWING THE PACKINGHOUSES TO WORK IN ACCORD-LIMITED OFFICIAL USE

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ANCE WITH ANTICIPATED DEMAND TRENDS.

4. THE NET EFFECT OF THESE VARIOUS MEASURES WILL BE DIFFICULT TO JUDGE UNTIL A BODY OF EXPERIENCE HAS BEEN BUILT UP. EXPORTERS ARE NOT CERTAIN OF THE FULL RAMIFICATIONS OF THE NEW INCOME TAX LAW, NOR EVEN OF THE SYSTEM TO BE EMPLOYED FOR CALCULATING THE VALUE OF EXPORT SHIPMENTS FOR TAX PURPOSES. NEVERTHELESS, THEY HAVE EXPRESSED THE VIEW THAT THE NEW MEASURES, COMBINED WITH IMPROVED CONDITIONS ON THE WORLD MARKET, MAY ALLOW OPERATION AT marginally PROFITABLE LEVELS DURING 1977.

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